



ANNUAL REPORT

1958

RUTLAND RAILWAY CORPORATION

**Joseph A. Quinlan died on January 17, 1959 and the vacancy on the Board of Directors was filled on March 6, 1959 by the election of Arthur H. Brown, subject to approval of Interstate Commerce Commission.*

RUTLAND RAILWAY CORPORATION

REPORT FOR 1958

To Our Stockholders:

The recession in business which began in 1957 and continued through much of 1958 had the inevitable effect of reducing revenues of your Corporation in the year covered by this report.

The increase in wage rates made necessary by the three-year agreement with the employees effective November 1, 1956, combined with continuing increases in cost of material and supplies and an extraordinary expense occasioned by storms made it impossible to reduce the cost of operation to offset the decline in revenues.

The year 1958 was a most difficult one for the Eastern railroads. The combination of effective sales effort and rigid economies enabled your Corporation to complete the year with a reduced but gratifying net income.

Freight revenues in 1958, including switching charges, amounted to \$4,425,393, a decline of \$485,348 or 9.9% from 1957. Revenue freight cars handled declined from 54,595 to 47,212. Milk revenues showed an unexpected increase, amounting to \$160,155, an increase of \$16,566. Total railway operating revenues were \$4,635,747, a decline of \$477,906 or 9.3% from the prior year.

To offset the severe reduction in revenues it became necessary to hold operating expenses to a minimum. Material reduction was achieved in all departments except traffic. For the year 1958 operating expenses amounted to \$4,144,794, a reduction of \$248,468 or 5.7%. Much greater savings could have been accomplished had it not been for added expense of about \$130,000 due to necessary increases in wage rates and an abnormally high expense of \$105,336 (compared with \$39,243 in 1957) for snow removal.

All factors considered, our net income of \$155,027 for the year should not be regarded as discouraging. A review of monthly results of operations is of interest. For the first two months of the year we suffered a net deficit of \$105,297 while for the remaining ten months net income was \$260,324 (as compared with net income of \$246,654 for the same period in 1957.)

Notwithstanding necessary curtailment our tracks and structures have been maintained in safe condition for required use. Deficiency in tie installations will have to be made up in 1959.

Locomotives have been maintained in good condition. Freight cars have been properly maintained and our percentage of unserviceable cars is much less than the national average. The importance of this is emphasized by the fact that during the recession we were able to keep our freight cars in almost constant service. In 1958 other railroads paid us \$10,981 more for hire of freight cars on per diem than we paid them for theirs.

Industrial development along our line, affected by the recession in business, has not progressed as rapidly as we hoped. Renewed effort is demonstrated by the fact that there are now in course of construction industrial buildings at Burlington and Rutland located on properties abutting our right-of-way. In addition to cooperating with development organizations we have engaged the services of an Industrial Consultant.

At Ogdensburg a Port Authority has been established to further the effort of that city to obtain its share of the handling of increasing ship cargo which will follow the opening of the St. Lawrence Seaway. We are giving our full support to developing Ogdensburg as a port of interchange between rail and water transportation.

Negotiations are being carried on with respect to the establishment of "Piggy-back" Service between Rouses Point (ex Canada), Burlington and Rutland on the one hand, and Boston, Mass. on the other.

The use of our warehouses at Rutland for the storage of in-transit shipments has been started, with the result of additional movements over our line. Increased use of these warehouses seems ensured.

During 1958 we initiated a so-called Speed-Save Service contemplating carload shipments to Rutland, thence distribution in smaller shipments to various points in New England. Wide interest in this method has been shown with promise of increased business.

Following the resignation of Guy D. Larrabee, Vice President—Sales and Services, Stephen A. Clifford, General Sales Manager, was appointed head of Sales and Services Department effective

September 1, 1958. A staff meeting of all sales representatives was held in Rutland in October.

During the past few months your President has participated in several meetings with the Presidents of other New England railroads with view to establishing better coordination and cooperation in the handling of freight shipments to improve service to our patrons and thereby increase rail freight revenue.

The enactment of the Transportation Act of 1958 by the Congress indicates recognition of the railroad industry as one of vital importance to our country. This legislation has eliminated some of the obstacles which make it impossible for the railroads to take full advantage of their ability to more successfully compete with other modes of transportation.

During the year 1958 your Corporation paid two dividends of \$1.25 per share to holders of Preferred Stock. These dividends, equal to those paid in 1957, applied on arrearage under the provisions of our Articles of Association.

Your Corporation, under the provisions of conditional sales agreements, made payments in

aggregate amount of \$312,000 during the year 1958 on freight cars and other equipment.

Your Board of Directors has continued to cooperate with and assist your Management in the determination of actions designed to further the interests of your Corporation and assure improvement in our results of operations. A critical period has been successfully passed. The future, with increased business activity, holds promise of increasing revenues and better earnings.

Again, the continued loyalty of our stockholders, our patrons and our employees is gratefully acknowledged.

For the Board of Directors,



PRESIDENT

March 18, 1959

In Memoriam

Mr. Joseph A. Quinlan, Director, died at White Plains, New York on Saturday, January 17, 1959. Mr. Quinlan, who had been a Director of this Corporation since 1953, was a man of action, ability and knowledge. His knowledge of traffic and many acquaintances in the traffic world resulted in major contributions to the welfare of this railroad. His ability and knowledge will be missed.

OPERATIONS

Wage and price increases continued to be important factors in the cost of operation during the year 1958. In accordance with prior agreements with the labor organizations, a general wage increase to the employees became effective on January first, and cost of living adjustments were made in May and November.

Train operation was kept under close scrutiny and train service was curtailed when it was felt that it could be done without jeopardizing the traffic or seriously deteriorating the service.

Severe storms during the first three months of the year added greatly to our operating expenses for snow removal.

During the year six wayside stations and one caretaker station were closed, the carload business at those stations being protected by the agent at adjoining stations.

IMPROVEMENTS

Because of decreased revenues the improvement program was greatly curtailed during 1958. However, we did continue to improve the stretch of track between Malone and Norwood, N. Y. by the replacement of worn rail, the installation of new ties and the application of some stone ballast. This is the portion of our line which carries the heaviest tonnage.

Some bridges were spot painted to retard corrosion and prevent deterioration of the structures.

A number of buildings no longer needed for the operation of the railroad have been leased or retired.

Rebuilt Diesel engines and compressors were installed in five locomotives during 1958 and, when the program is completed in the second

quarter of 1959, all of our 1600 horsepower locomotives will be equipped with up-to-date rebuilt engines.

EMPLOYMENT AND WAGES

With the cooperation of the organizations in working out mutual problems, the number of employees required to operate the railroad was again reduced, the average number of employees during 1958 being 514. The total payroll, including payroll taxes, amounted to \$3,203,082. In 1957 the average number of employees was 569. Because of decreased revenues, the ratio of wage cost (including payroll taxes and health and welfare benefits) to income was 68.50%.

The average annual wage per employee in 1958 was \$5,862, as compared with \$5,480 in 1957.

FREIGHT TRAFFIC

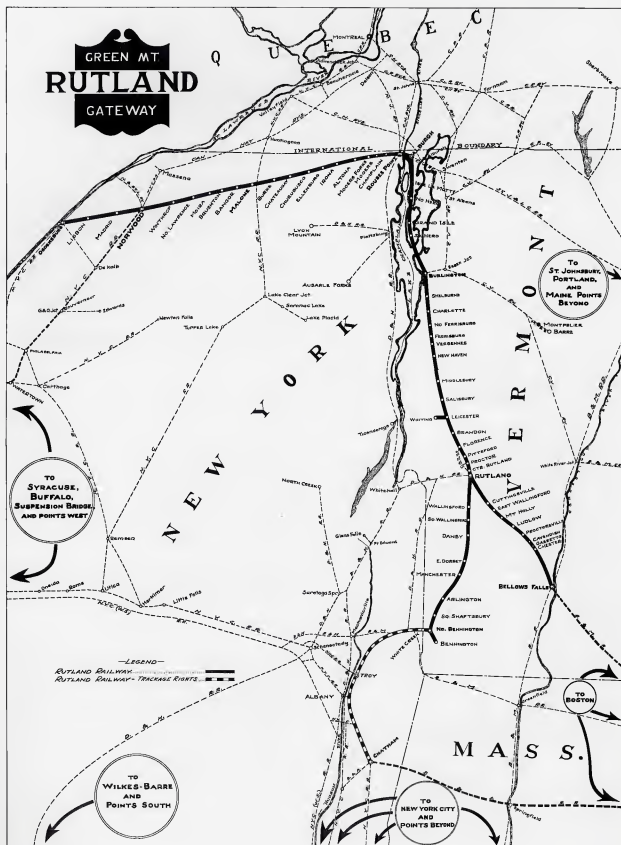
Total carloads handled decreased 14% under 1957.

Overhead or bridge traffic showed a 15% decrease under 1957. Local forwarded showed a 6% decrease and local received a 10% decrease compared with the year 1957. The decrease in the number of cars handled was the result of general economic conditions in the country during the year 1958.

Below is a comparison of total revenue freight cars loaded on line and received from connections for principal commodity groups:

	1958	1957	% Inc. or Dec.
Grain, Feed, Flour, etc.....	8,131	8,087	—
Coal	6,258	8,724	(D) 28%
Stone and Rock.....	3,283	3,169	4%
Forest Products.....	4,046	5,238	(D) 23%
Petroleum, Refined.....	2,833	3,720	(D) 21%
Paper and Paper Products..	5,434	6,196	(D) 12%
Manufactures and Misc.....	17,127	19,461	(D) 12%
Total.....	47,212	54,595	(D) 14%

GREEN MT
RUTLAND
GATEWAY



STATEMENT OF INCOME

For the Years Ended December 31, 1958 and 1957

	1958	1957
OPERATING REVENUES:		
Freight.....	\$4,425,393	\$4,910,741
Milk.....	160,155	143,589
All Other.....	50,199	59,323
TOTAL.....	4,635,747	5,113,653
OPERATING EXPENSES:		
Maintenance of Way and Structures:		
Depreciation—Road.....	95,884	97,529
All Other.....	789,302	885,171
Maintenance of Equipment:		
Depreciation—Equipment.....	211,309	200,138
All Other.....	469,953	544,116
Traffic (Sales and Services).....	372,447	364,294
Transportation.....	1,872,423	1,945,712
General.....	333,476	356,302
TOTAL.....	4,144,794	4,393,262
NET REVENUE FROM OPERATIONS.....	490,953	720,391
TAX ACCRUALS (No Federal Income Tax Accrual Required Due to Prior Year Loss Carry-Forwards):		
Payroll (Retirement and Unemployment).....	189,996	198,296
State, Local, Miscellaneous.....	138,457	135,596
TOTAL.....	328,453	333,892
OPERATING INCOME.....	162,500	386,499
RENT EXPENSE—NET:		
Equipment Rental.....	51,964	75,651
Joint Facility Rents.....	181	44,191
TOTAL.....	52,145	119,842
NET OPERATING INCOME.....	110,355	266,657
MISCELLANEOUS INCOME—NET.....	98,742	90,768
INCOME AVAILABLE FOR FIXED CHARGES.....	209,097	357,425
FIXED CHARGES—Interest on Debt.....	54,070	58,405
NET INCOME—TRANSFERRED TO RETAINED INCOME—UNAPPROPRIATED.....	\$ 155,027	\$ 299,020

RETAINED INCOME—UNAPPROPRIATED

For the Years Ended December 31, 1958 and 1957

	1958	1957
BALANCE AT BEGINNING OF YEAR.....	\$ 426,503	\$ 294,576
CREDITS:		
Net Income for the Year.....	155,027	299,020
Other, principally gain (loss) on disposals of real estate—net.....	120,645	(49,648)
TOTAL.....	702,175	551,048
DEBITS:		
Cash Dividends on Preferred Stock—\$2.50 per share.....	124,545	124,545
BALANCE AT END OF YEAR.....	\$ 577,630	\$ 426,503

Rutland Railway Corporation

Balance Sheet, December 31, 1958 and 1957

ASSETS

	1958	1957
CURRENT ASSETS:		
Cash.....	\$ 184,673	\$ 304,735
Temporary Cash Investments.....	300,000	99,021
Special Deposits.....	142,405	138,625
Traffic and Car-Service Balances.....	92,301	94,265
Net Balances Receivable from Agents.....	61,461	53,887
Miscellaneous Accounts Receivable.....	67,821	74,338
Accrued Accounts Receivable.....	48,067	52,932
Due from Affiliated Company.....	—	4,760
Prepayments.....	8,610	5,658
Material and Supplies.....	429,639	511,567
Other Current Assets.....	7,324	2,867
Total Current Assets.....	1,341,701	1,432,675
CAPITAL AND OTHER RESERVE FUNDS.....	—	31,324
INVESTMENTS:		
Stock of Affiliated Company.....	20,000	20,000
Loans to Affiliated Company.....	232,500	290,000
Other Investments.....	31,138	29,138
Total Investments.....	283,638	339,138
PROPERTIES:		
Road and Equipment Property.....	25,281,738	25,438,746
Miscellaneous Physical Property.....	627,049	625,108
Total.....	25,908,787	26,063,854
Less:		
Acquisition Adjustment.....	11,250,452	11,303,854
Donations and Grants.....	2,474	2,474
Total.....	11,252,926	11,306,328
Investment in Property.....	14,655,861	14,757,616
Less Recorded Depreciation.....	3,212,724	3,080,643
Investment in Property less Recorded Depreciation.....	11,443,137	11,676,973
OTHER ASSETS AND DEFERRED CHARGES.....	191,032	104,200
TOTAL ASSETS.....	\$13,259,508	\$13,578,310

LIABILITIES AND SHAREHOLDERS' EQUITY

	1958	1957
CURRENT LIABILITIES:		
Audited Accounts and Wages Payable.....	\$ 166,182	\$ 257,086
Miscellaneous Accounts Payable.....	60,767	72,671
Interest Matured Unpaid.....	8,666	9,286
Dividends Matured Unpaid.....	48,303	59,576
Accrued Accounts Payable.....	60,346	20,687
Taxes Accrued.....	47,935	48,591
Other Current Liabilities.....	25,728	24,587
Total Current Liabilities.....	423,927	492,484
LONG-TERM DEBT DUE IN ONE YEAR—Equipment Obligations..	312,000	312,000
LONG-TERM DEBT DUE AFTER ONE YEAR—Equipment Obligations.	811,845	1,123,845
CASUALTY AND OTHER RESERVES.....	82,860	172,352
DEFERRED CREDITS.....	6,752	6,632
TOTAL LIABILITIES.....	1,637,384	2,107,313
SHAREHOLDERS' EQUITY:		
Capital Stock:		
5% Cumulative Preferred, \$100 Par Value—Authorized and Outstanding, 49,818 Shares.....	4,981,800	4,981,800
Common, \$100 Par Value—Authorized and Outstanding, 60,112 Shares.....	6,011,200	6,011,200
Total.....	10,993,000	10,993,000
Capital Surplus.....	1,494	1,494
Retained Income:		
Appropriated.....	50,000	50,000
Unappropriated (See Note 1).....	577,630	426,503
Total.....	627,630	476,503
TOTAL SHAREHOLDERS' EQUITY.....	11,622,124	11,470,997
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY..	\$13,259,508	\$13,578,310

Notes to Financial Statements

1. Dividends on the preferred stock are cumulative, if not paid, up to but not exceeding fifteen per cent at any one time. At January 1, 1959 dividends on the preferred stock were fifteen per cent in arrears, amounting to \$747,270.

2. The 1958 financial statements reflect certain modifications in the Uniform System of Accounts for Railroad Companies which were made effective as of January 1, 1958 by order of the Interstate Commerce Commission, which modifications primarily effect the December 31, 1958 balance sheet as follows:

Cash and Audited Accounts and Wages Payable are reduced by \$90,574, representing the amount of outstanding checks and drafts transmitted to payees. Casualty and Other Reserves of \$40,111 representing estimated amounts of claims payable within one year are included in Accrued Accounts Payable rather than Reserves as in prior years.

HASKINS & SELLS
ACCOUNTANTS

80 FEDERAL STREET
BOSTON 10

ACCOUNTANTS' OPINION

RUTLAND RAILWAY CORPORATION:

We have examined the balance sheet of Rutland Railway Corporation as of December 31, 1958 and the related statements of income and retained income-unappropriated for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying balance sheet and statements of income and retained income-unappropriated present fairly the financial position of the Corporation at December 31, 1958 and the results of its operations for the year then ended, in conformity with principles of accounting prescribed or authorized by the Interstate Commerce Commission applied (except for the changes explained in Note 2 to the financial statements) on a basis consistent with that of the preceding year.

Haskins & Sells

March 5, 1959.



Through Freight Train RC-4 Enroute From Rutland, Vt. To Chatham, N. Y.

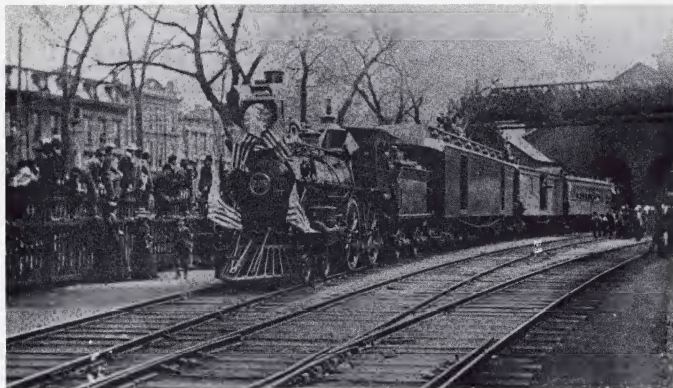
HIGHLIGHTS OF THE YEARS

	1958	1957	1956	1955	1954	1953
Operating Revenues.....	\$4,635,747	\$5,113,653	\$5,201,892	\$4,811,335	\$4,551,087	\$5,068,717
Operating Expenses.....	4,144,794	4,393,262	4,238,499	3,957,306	4,056,724	4,655,075
Ratio of Expenses to Revenues.....	89.41%	85.91%	81.48%	82.25%	89.14%	91.84%
Miles of Railroad Operated.....	391.47	391.47	391.47	391.50	391.52	391.52
Payroll.....	3,013,086	3,118,559	3,040,459	2,835,290	3,107,094	3,315,584
Ratio Payroll to Revenues.....	65.00%	60.99%	58.45%	58.93%	68.27%	65.41%
Payroll Taxes.....	189,996	198,296	188,931	161,979	176,203	173,448
Net Income.....	\$ 155,027	\$ 299,020	\$ 452,816	\$ 272,198	(\$122,911)	(\$95,794)

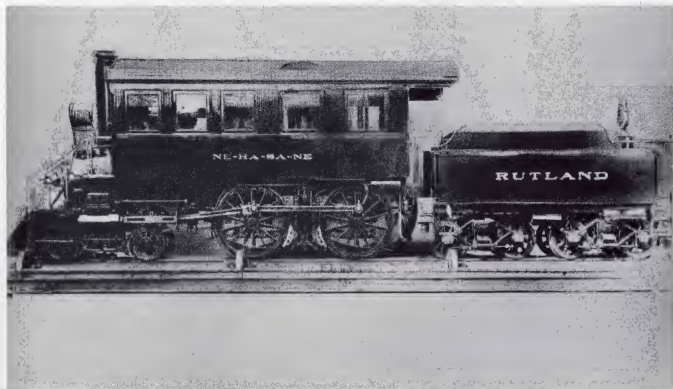
STATUS OF EQUIPMENT

Acquired Since November 1, 1950
At December 31, 1958

	Acquired	Cost	Paid	Equity	Balance Outstanding
Diesels No. 200-204.....	June, 1951	\$ 737,948.00	\$ 737,948.00	100 %	\$ —
Diesels No. 205-208.....	July, 1952	623,320.00	623,320.00	100 %	—
Diesels No. 401-405.....	Sept., 1951	571,415.00	571,415.00	100 %	—
Diesel No. 500.....	Nov., 1951	74,895.00	74,895.00	100 %	—
Steel Box Cars No. 100-149.....	July, 1954	323,316.00	323,316.00	100 %	—
Steel Box Cars No. 150-199.....	Feb., 1955	320,000.00	255,000.00	79.7 %	65,000.00
Steel Box Cars No. 200-249.....	Mar., 1956	337,261.00	445,023.00	57.5 %	329,025.00
Steel Box Cars No. 300-349.....	Aug., 1956	357,462.00			
Jordan Spreader No. X-180.....	Dec., 1955	39,400.00			
Steel Hoppers No. 500-504.....	Jan., 1956	39,925.00			
Steel Box Cars No. 250-299.....	Mar., 1956	337,261.00	445,023.00	57.5 %	329,550.00
Steel Box Cars No. 350-399.....	Aug., 1956	357,462.00			
Steel Hoppers No. 505-514.....	Jan., 1956	79,850.00			
Steel Box Car No. 450.....	Apr., 1957	7,595.32	7,595.32	100 %	—
Steel Box Cars No. 400-449.....	Apr., 1957	381,280.00	210,962.60	34.5 %	400,270.31
Steel Gondola Cars No. 1000-1024.....	Nov., 1957	229,933.00			
Total.....		\$4,818,343.32	\$3,694,498.01		\$1,123,845.31



Company "A" Leaving Rutland May 8, 1898 For The Spanish-American War.



The NE-HA-SA-NE. Built 1896, Used As An Inspection Car, Retired In 1936.

TRAIN, LOCOMOTIVE AND CAR-MILES

	1958	1957
TRAIN-MILES:		
Freight.....	449,298	489,010
Work Service.....	3,726	4,829
LOCOMOTIVE-MILES:		
Freight—Principal.....	449,298	489,010
Freight—Helper.....	129,529	126,726
Freight—Light.....	715	52
Freight—Train Switching.....	9,532	15,191
Freight—Yard Switching.....	106,946	132,139
Total Locomotive-Miles.....	696,020	763,118
Work Service Locomotive-Miles.....	3,726	4,829
CAR-MILES:		
In Freight Trains—		
Loaded Freight Cars.....	7,430,773	8,368,187
Empty Freight Cars.....	2,918,622	2,768,016
Caboose.....	400,393	414,353
Total Freight Train Car-Miles.....	10,749,788	11,550,556
In Freight Trains—		
Mail, Express, Baggage Cars, etc.....	554,997	572,969
Business Cars.....	1,368	1,904
Crew Cars (Excepting Caboose).....	49,976	78,468
Total Passenger Train Car-Miles.....	606,341	653,341
Total Car-Miles.....	11,356,129	12,203,897
Work Service Car-Miles.....	9,866	26,818

FREIGHT TRAFFIC STATISTICS

	1958	1957
FREIGHT:		
Tons Carried—Revenue.....	1,594,515	1,873,757
Tons Carried—Company.....	15,671	26,453
Tons Carried—Total.....	1,610,186	1,900,210
Tons Carried One Mile—Revenue.....	221,736,199	247,418,302
Tons Carried One Mile—Company.....	1,599,801	2,573,698
Tons Carried One Mile—Total.....	223,336,000	249,992,000
Freight Revenue (A/C 101).....	\$ 4,333,512	\$4,828,941
Averages:		
Miles of Road Operated.....	391.47	391.47
Revenue Per Ton.....	\$ 2.71776	\$ 2.57714
Revenue Per Ton Mile.....	\$.01954	\$.01952
Miles Per Revenue Ton.....	139.062	132.044
Ton-Miles Per Mile of Road (Rev.).....	566,419	632,024

RUTLAND *Sales and Services*

Rutland, Vt.

Stephen A. Clifford *General Sales Manager*
John E. Laughlin *Sales Manager—Rates*

Rutland, Vt. Phone: PROspect 3-3331

John A. Halpin, *Sales Manager*
Herman E. Buchheim
 Assistant Sales Manager
John J. Mullen
 District Sales Representative
Raymond W. Carroll
 Commerce Agent

Buffalo, N. Y. Phone: MOhawk 6931

Albert W. Cray
 District Sales Representative

Detroit, Mich. Phone: WOODward 5-6644

Arthur A. Lindsay
 District Sales Representative

Boston, Mass. Phone: CApital 7-3381

John E. McGarrity, *Sales Manager*
Albert L. Taylor
 District Sales Representative
John A. Clark
 District Sales Representative

Portland, Me. Phone: SPRuce 5-0541

Charles J. Reagan
 District Sales Representative

Chicago, Ill. Phone: WABash 2-2593

Oliver L. Crawford, *Sales Manager*
Ray I. Nova, *District Sales Manager*
Raymond H. Gillespie
 District Sales Representative

Minneapolis, Minn. Phone: FEderal 6-4503

Heaton L. Bullock
 District Sales Representative

Cincinnati, Ohio.

Phone: CHerry 1-1126

John D. Lewis, *District Sales Manager*

Seattle, Wash. Phone: MUtual 2-6430

Marshall O. Culton
 District Sales Representative

Kansas City, Mo.

Phone: VICTor 2-0766

John L. Larson
 District Sales Representative

New York City.

Phone: LONGacre 3-5997

Richard O. Fawcette, *Sales Manager*
Walter H. Lodge, *Special Representative*
Richard M. Toohey
 District Sales Representative

OFFICERS

CENTRAL REGION

NORTHEASTERN REGION

WESTERN REGION

EASTERN REGION